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SUBJECT: NIGERIA: SOUTH-SOUTH DEMANDS TO KEEP MORE OF OIL REVENUES

Classified By: Consul General Brian L. Browne per 1.4 b and d

1. (C) Summary: With less than two weeks remaining before its scheduled end, Nigeria's National Political Reform Conference's (NPRC) delegates remain divided over several issues -- chief among them resource control and the rotation of power, i.e. the presidency, between geographic zones. South-South delegates have made securing a greater percentage of the oil revenues for their states their primary goal in the conference. They are prepared to forego claims on the 2007 presidency and bend on other issues dear to Northern delegates to achieve that objective. Northern delegates thus far have indicated willingness to increase the oil derivation only marginally, prompting South-South delegates to temporarily walk-out of the conference June 14.

2. (C) Summary Cont'd: The NPRC is replete with the political brinkmanship, grandstanding, name-calling and alliance-seeking that make Nigerian politics a very spice fare. Meetings are occurring until the wee hours of the morning and the politicking is likely to intensify as the conference draws to a close. For now, delegates we have talked to remain optimistic that compromises will be reached, allowing the NPRC chair to present a final report to President Obasanjo. From a southern perspective, President Obasanjo's minions who wanted to use the conference to extend the President's term or to exclude his political enemies for seeking the highest office, have failed and lost control of the conference. In fact the conference has become an unsettled hornet's nest. The controversy over resource allocation is not only a squabble over money, but it has further stung already irritated ethnic and regional sensitivities. South-South delegates are not likely to back down without a lot of cajolery and a good face-saving mechanism that will allow them to return home as "victors." End Summary.

Two Weeks To Go, Delegates Walk Out of ConFab

3. (SBU) Inaugurated February 21, 2005, the NPRC, was mandated to deliberate on needed reforms in six areas - constitutional, political parties, electoral, judicial, civil society, and social/consensus building. With only two weeks remaining before its scheduled end, delegates remain divided on a number of issues, particularly, resource control and the rotation of presidential power between geographic zones. On June 14, delegates temporarily walked out of the conference when the Chair reported, apparently erroneously, that agreement had been reached to increase the oil derivation allocation from 13 to 17 percent. The week prior, South-East delegates had to be coaxed back into the conference, when they walked out protesting an ethnic slur made by a Northern delegate intimating that Igbos were unfit to hold the Nigerian presidency.

Resource Control - Primary South-South Objective

4. (C) The maximalist South-South position is for the zone nominally to retain 100 percent of the oil and gas revenues derived from "its land." Under this scenario, the federal government would levy a heavy, up to 70 percent, tax on said revenues in order to finance central government operations and to distribute to other geographical zones. Privately, South-South delegates admit their calls for 100 percent control and threats to "take what is due the zone, if it is not given," are public posturing, for the benefit of home constituencies. The far likelier scenario is for the federal government to continue collecting and controlling oil revenues and allocating a proportion of these resources back to oil-producing states. Most South-South delegates would like the derivation increased from the current 13 to 50 percent. However, they recognize the improbability of such a steep jump to that amount and would be satisfied with a series of graduated increases over an extended time period.

5. (C) South-South delegate and Bayelsa State Information Commissioner Oronto Douglas told us key northern and southern delegates have been meeting behind closed doors, trying to

reach a compromise on how much to increase the oil derivation. Douglas said proposals range of increases from the current 13 to 17-25 percent. He said the arrangement being discussed most widely is an immediate increase to 20-25 percent, with annual increases of 1-5 percent until the 50 percent goal is achieved. The negotiations are difficult and Douglas was uncertain if they would be succeed. However, he said the South-South found "insulting" the North's general position of an increase to 17 percent, without further increments.

16. (C) Meanwhile, South-South delegates are meeting with presidential insiders in a bid to get Obasanjo to endorse their position. On the day of our conversation, June 13, Douglas said he would be meeting later in the day with Presidential adviser Julius Iyovbere to script the issue. In addition, Douglas said South-South delegates had decided to prioritize this issue over the zone's presidential aspirations. He said that public protestations to the contrary, were "hot air." "This is the issue we can win," Douglas said.

17. (C) Feeling the heat increase on this issue and on the ethnic and regional sentiments underlying it, President Obasanjo met South-South governors over the weekend in an attempt to corral this dispute before it becomes too unwieldy. So far, the governors are sticking (at least publicly) to their position that the derivation be increased to at least 25 percent.

You Give us Money, We Give You the Presidency...
OK and Maybe Other Goodies Too

18. (C) In a separate meeting, South-South civil society delegate Mike Ozehome confirmed the read-out proffered by Douglas. Ozehome said the southern bloc had coalesced around resource control and was willing to offer the North certain trade-offs in exchange for its support on the issue. The most important concessions were the south's willingness to drop its clamor for the presidency in 2007, and to kill the proposal banning past military rulers from contesting future elections, both pet initiatives of Obasanjo's men at the conference. Ozehome said the south had other, less valuable chits it was willing to use in the bargaining process. For example, instead of the proposed electronic voting for the 2007 elections, the South could live with the some northern delegates' preference for some sort of hybrid "A4" voting, where voters line up publicly but still cast private ballots. The ballots would be tallied immediately at the polling station as opposed to being sent to central centers. Term limits, on which the South is indifferent, but which are anathema to the North now that it is poised to regain the presidency, are also a bargaining lever.

19. (C) Asked about alliances forged at the conference, Ozehome and Douglas insisted the South-South and South-East are united. Ozehome said the South-West and the Middle Belt supported the resource control platform, but neither could not be confidently relied upon if the issue were put to a vote. Despite some strong initial courting between the South-South and the Middle Belt, Ozehome said the South-South decided to treat with a more dependable partner, i.e. the North-West. "Only the big boys are capable of striking a deal," he said.

Comment

10. (C) From a southern perspective, if it is true that the convening of the NPRC was an attempt to, at a maximum, extend Obasanjo's tenure, and at a minimum, prevent former military leaders Babangida and Buhari from running in 2007, the plan has gone awry. South-South delegates have succeeded in making resource control a key issue and perhaps the conference's most divisive one. That the South-South has been able to manipulate the conference to this degree reflects a growing political awakening and finesse in that geo-political zone. In the end, however, this is not a fight to improve democracy. This is a battle over which group of elite gets their hands on more of the nation's bounty.
BROWNE